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Annual Report

year ended

31 March 1967

Directors

Cecil H. King, Chairman
S. T. Ryder, Managing Director
P. H. Sykes, Deputy Managing Director
W. F. Amies
C. H. Austin
T. E. G. Baker
H. W. Broad
R. N. Burnham
G. H. Cartwright
R. F. Inch
F. J. Rogers
J. H. Smeddle
W. E. Soles
R. W. T. Suffern
G. S. G. Witherington
Sir Richard E. Yeabsley CBE

Secretary

J. R. V. Forster

Registered Office

Reed House, 82 Piccadilly, London W1

Transfer Offices

Tudor Registrars Limited, 29 London Road, Bromley, Kent
Montreal Trust Company, 777 Dorchester Blvd, Montreal 2

Auditors

J. H. Champness, Corderoy, Beesly & Co.
Chartered Accountants

Operations of the Group

The Reed Paper Group is an international organisation based on the United Kingdom. It has interests and investments in more than 40 countries and employs some 54,000 people.

The Group had its origin over 70 years ago as a paper making company and although a high proportion of its business is still associated with paper and board, its operations have become both vertically integrated and widely diversified.

It is the biggest manufacturer of paper and paper packaging in Europe and has one of the largest paper merchanting organisations in the world.

In the United Kingdom it is the major producer of corrugated fibreboard cases and is a substantial manufacturer of cartons and multi-wall paper sacks. The Group also produces plastic packaging and has significant stationery manufacturing interests.

The Group makes most of Britain's wallpaper, as well as Crown paints and other decorative products, much of which is sold through its 750 shops and branches. Its output of specialised wall coverings, particularly vinyls, is increasing. Sanderson furnishing fabrics are world famous and the Polycell range of products continues to lead in its sector. Other interests in the building field include pitch fibre pipe and plastic rainwater systems.

Overseas, Reed has important pulp, paper, packaging, wallpaper, paint and fabric interests in Canada. Its Australian operations which include packaging, paper merchanting, stationery, wallpaper and fabrics, are becoming increasingly significant.

Report of the Directors

The Balance Sheet of the Company and the Group Balance Sheet as at 31 March 1967, together with the Group Profit and Loss Account for the year ended on that date, are attached.

The Group profit for the year attributable to the shareholders was £7.0 million. The Directors recommend payment of a final Ordinary dividend in respect of the year ended 31 March 1967, of $7\frac{1}{2}\%$, which together with the interim dividend of 5% paid on 20 December 1966, makes a total of $12\frac{1}{2}\%$ for the year.

The Company issued £10,000,000 $7\frac{1}{4}\%$ Debenture Stock 1990/95 in June 1966, the proceeds of which were used to reduce bank borrowings.

During the year, under a Scheme of Arrangement the outstanding Preference Capitals of The Wall Paper Manufacturers Limited and Alex. Cowan & Sons Limited were cancelled, and in exchange the Company issued:

- £2,870,499 $7\frac{1}{2}\%$ Redeemable Unsecured Loan Stock
- £1,645,915 $5\frac{1}{2}\%$ Redeemable Unsecured Loan Stock
- £1,050,587 7% Cumulative Preference Shares of £1 each
- £317,766 5% Cumulative Preference Shares of £1 each.

A corporate reorganisation of certain of the Company's interests in Australia was completed in December 1966, with the result that the majority of these interests are now held through Reed Consolidated Industries Limited, a quoted company in Australia. Following this reorganisation the Group now holds 81% of the share capital of that company, the balance being held by the public.

Some of the preferred shareholders in Anglo-Canadian Pulp and Paper Mills Limited exercised their right during the year to convert their holdings into Common Shares. As a result the Group's holding of Common Shares now represents 91% of the increased total in issue, as against 96% previously.

During March 1967, the Company made an offer to acquire the entire share capital of The Briton Brush Company Limited. Since 31 March 1967, acceptances in respect of the whole of the share capital have been received. The total consideration

has been satisfied by the issue of £529,739 $7\frac{1}{2}\%$ Redeemable Unsecured Loan Stock and £236,149 $5\frac{1}{2}\%$ Redeemable Unsecured Loan Stock.

Since 31 March 1967, the Company has also acquired the entire share capital of B.S.T. Silks Limited for a consideration of £147,762 $7\frac{1}{2}\%$ Redeemable Unsecured Loan Stock.

Mr R. F. Inch and Mr J. H. Smeddle have been appointed Directors of the Company since the last Annual General Meeting. In accordance with the Articles of Association their appointments to the Board require confirmation at the forthcoming Annual General Meeting.

Mr R. W. T. Suffern and Sir Richard E. Yeabsley, who retire at the Annual General Meeting, are not seeking re-election.

Mr C. H. Austin and Mr R. N. Burnham retire by rotation in accordance with the Articles of Association and, being eligible, offer themselves for re-election.

The interests of all the Directors of the Company together with their family interests as defined in the General Undertaking given by the Company to The Stock Exchange, London, do not in aggregate in respect of either share capital or voting control exceed 1% in the case of the Company or of any one subsidiary.

So far as is known the only person holding or beneficially interested in a substantial part of the share capital of the Company is IPC (Group Management) Limited which holds 15,168,652 Ordinary Shares of £1 each.

The Auditors, Messrs J. H. Champness, Corderoy, Beesly & Co. are re-appointed under the provisions of Section 159 of the Companies Act, 1948. A Resolution to provide for the Directors to fix the Auditors' remuneration will be proposed at the forthcoming Annual General Meeting.

By Order of the Board
J. R. V. Forster, Secretary

Reed House, 82 Piccadilly, London W1

30 May 1967

The Chairman's Statement

Profits and Dividends

I have to report to you a drop in Group profits for the first time in nine years, and I regret to say that the reduction is a substantial one. Because of the size and diversity of the Reed Group the causes are many and various and the principal ones are referred to individually in the course of this report. As with many other public companies Government action and policies have a substantial bearing on many of our problems.

The total sales of the Group were slightly greater for the year, both at home and overseas, being £240 million compared with £226 million for last year. The inclusion for the first time of £10 million sales for Alex. Cowan & Sons Limited more than made up the otherwise slight fall in sales of paper. In spite of increased total sales the profit earned was lower at £26.9 million before charging loan interest, depreciation and taxation, compared with £30.6 million last year. The balance for the year available for appropriation is £7.0 million compared with £11.5 million in 1966.

The Directors recommend the payment of a Final Ordinary Dividend of 7½%, which together with the Interim Dividend already paid makes a total of 12½% for the year. This recommendation has been made after the most searching examination of present and future profitability in the light of current UK economic policies and world trends, of the Group's likely capital requirements in the next few years and of both the short and the long-term interests of the Shareholders and of the Company.

Paper and Board

Our traditional business of paper and board making in the UK is no longer our main activity, but is still a major element of the Group operations.

On 1 December, 1966, the 10% import surcharge was removed and on 1 January, 1967, the last of the tariffs was removed on imports from EFTA countries. The Scandinavians have made particularly fierce assaults on the UK market in certain grades of paper at very low prices and in addition the market generally has been subjected to an almost unprecedented degree of instability and price cutting. Vigorous steps have been and are being taken to combat this competition.

Our main home producer, Reed Paper and Board (UK) was affected during the early summer of 1966 by the prolonged Seamen's strike which caused very considerable production difficulties at our mills. All these difficulties were overcome and all commitments to our customers were met although we suffered increases in cost in order to achieve that result. Customer demand during that period was heavy, but shortly thereafter the Government's economic measures very rapidly reduced the level of demand.

We have already put into action a programme in which certain no longer viable grades have been relinquished or transferred abroad and attention focused on new or increased business in more attractive lines. Thus the Trailing Blade Coater at Imperial Paper Mills has been brought to a high pitch of quality production and its papers have secured a high regard from our customers. Similarly, the outstanding non-coated printing and writing series "Plus Fabric" and "Interplus" have

been extended and are being marketed by Reed and Spicers sales and merchanting organisations. Other special products are coming from the Cowan Mills in Scotland, the Darwen Mills in the North of England as well as the mills in the south. In the current year there will be new production of home-produced packaging boards.

During the year the National Board for Prices and Incomes made a full investigation of newsprint in the UK and in consequence we were authorised to make a price increase of £2 per ton. This is a welcome improvement in one of our very inadequate profit earners, which is nevertheless a great national import saver. Its effects will not be felt until the current year.

Spicers and Cowan have maintained their sales levels, but have suffered severely from price cutting. They have pursued rationalisation programmes both individually and jointly with the Paper and Board Division in the task of building an even better customer service at lower cost.

The complexity of our UK paper and board operations offers us further great scope for planning, productivity and innovation in addition to that already achieved. I applaud the resolution with which the companies involved are rising to this opportunity.

Packaging

The year has been one of sustained successful effort in all sections of our packaging activity and in spite of the many obstacles an increase in profits was achieved. All the packaging companies have made substantial advances in the design and the creation of new products to fulfil the change and development in modern markets.

Reed Corrugated Cases operates factories throughout the UK. This company has established its position at Lydbrook where it opened a new factory in early 1966 and is in course of extending further in Scotland and in Northern Ireland. The year's achievement has been another record. Of its range of new products, paper furniture in particular has received much publicity and this is symbolic of the versatility of thought and enterprise in this vigorous company.

Fields, the Carton Division of Reed, has improved its profits during the year. Integration within the Division with emphasis on efficient production and successful graphic and constructional designs, has helped to mitigate the serious effects of reductions in consumer spending.

Reed Medway Sacks continued to expand its market in scale and diversity and made increased profits. During the year it has used trial quantities of sack kraft from Prince George Pulp and Paper with extremely promising results. This company expects to derive considerable benefits from the use of Prince George sack kraft during the current year.

Building and Decorative Products

It is undeniable that the squeeze and freeze has hit the building industry very severely so that our businesses serving this vast market have suffered the inevitable consequences. This has

occurred in a year when we had hoped to have reduced the variation of the two-year cycle in wallpaper sales. In the circumstances it is not practicable to distinguish the effects of economic circumstances and the cycle.

This section of the business which now ranges over wallpaper, fabrics, paint, pitch fibre pipe, plastic rainwater systems and the well-known range of Polycell products, made a profit of £4.9 million before tax and finance charges compared with £7.9 million in the previous year. The abolition of Retail Price Maintenance has made its effect fully felt in this field during the past year and as a result, profits of our merchandising activities were severely reduced.

Polycell, L. & P. Plastics and the Retail Department were able to increase their profits in spite of the adverse circumstances, but all other sections of this Division showed a reduction in profits.

With a vigorous and consistent marketing effort, Crown paint is becoming established as a well-known brand, but sales of the Walpamur water paint which has been extremely profitable in the past have been seriously affected by the advent of cheap Emulsion paints and this trend is bound to continue. The Crown paint range is being extended by the addition of new products, but all these have to be promoted in the market place and the profits of our Paint Division are bound to be reduced for the immediate future.

In the case of wallpaper, we have launched successfully during the last year the new Crown Vinyls and we are now in the process of bringing on to the market a new, easily strippable form of wall covering under the name "Cleenstrip". These and other steps are being taken to ensure that Wall Paper Manufacturers will increase its lead in what is now becoming a highly competitive market for various types of wall coverings.

The cost of research and of promoting new products is bound to make some immediate inroads into our profits, but it is essential that your company, as the largest manufacturer of wallpaper in the world, leads the field in this respect.

Rationalisation of production has also been pursued during the past year and the Hollins Brush factory was closed and its production transferred to Chadwick & Shapcott in the new combined business operating as Chadwick Hollins. The former Hollins Brush factory is now being converted to enable us to extend production of Relief Decorations products which are in great demand. The Allan Cockshut Mill which was making losses consistently has been closed and its production absorbed elsewhere and the substantial premises at Bow are now on the market. Shand Kydd completed the transfer of production to its modern factory at Christchurch and its Kentish Town premises are also for sale. In the Sanderson Division, we closed down the Chatterton Weaving Mill and transferred the production elsewhere.

Whilst all these measures were essential for the future well-being of the Group, the cost of redundancies and closure expenses have imposed a heavy burden on the profits of the year under review. In addition, because of the state of the property market, we have not been able to dispose of the vacated factories as quickly as we would have hoped and

some of the benefits of our rationalisation measures will not be achieved until these factories have been sold.

Just after the end of the financial year the Group acquired The Briton Brush Company which is being organised in close harmony with the Chadwick Hollins brush activities. The accounts do not, of course, reflect any effects of this acquisition.

The renowned Sanderson fabrics business has been strengthened since the end of the financial year by the acquisition of B.S.T. Silks. The latter company has supplied the Jacquard range of materials to Sandersons for some years and is especially noted for its design capability.

The Wall Paper Manufacturers has suffered the severe loss during the year of its Deputy Chairman and former Chairman, Mr. Jack Watson. Mr. Watson died tragically in a road accident near his Lancashire home, and he is missed not only by his colleagues but also by the industry throughout Europe.

Overseas Subsidiaries

The profits from Anglo-Canadian Pulp and Paper Mills were 12% less during 1966 due mainly to substantial increases in the cost of labour and pulpwood. The improvement in the production, sales and profit of the packaging activities of the Canadian Group was insufficient to outweigh the higher costs sustained in the making of pulp and paper. In addition, the effects of the 10% Import Surcharge on products exported to the UK were applicable until December 1966 and the UK price of newsprint was restricted until 1967.

During the year Canadian Wallpaper Manufacturers acquired General Paints, a West Coast paint company, for \$2 million. We reorganised all the WPM interests in Canada and the United States to form a North American Division of WPM under the management of the CWM Board. This move has enabled special attention to be given to the fabric businesses which showed a heavy fall in profits during the past year and are now being reorganised. The earnings of CWM and its associated companies in the wallpaper and paint fields have been well maintained.

In Australia a reorganisation of the corporate structure of the Group interests has taken place so that most of our operating companies there are integrated under the single ownership of Reed Consolidated Industries. The activities now covered by this company include packaging, paper merchandising, paper converting, wallpaper and fabrics. The Board of RCI has been rearranged to meet its wider responsibilities and we have high hopes from its efforts over the coming years. The profits from these various activities arising before and after their co-ordination have shown a 25% increase over those of the previous year.

In 1966 Sande Paper Mill in Norway had its best year since start up and production and sales were once more increased.

Reed Medway Sacks promoted a new overseas venture during the year by embarking on a multi-wall paper sack factory in Trinidad. Production has now commenced, but, of course, by comparison with UK operations output will be small.

Spicers has maintained the profits arising from its export company and overseas paper merchandising and paper converting operations, with the exception of South Africa which continues to be a difficult market.

Trade Investments

I reported to you last July that Prince George Pulp and Paper had started up its pulp manufacture and was about to start up the paper machine. That great event duly took place and the Mill was opened officially by Premier Bennett of British Columbia in August last.

The major build-up of well-balanced stocks at the Mill and in the UK has progressed steadily and we are now starting to supply our paper and sack customers with this Prince George material. We are confident that, in common with our own sack-making company, they will derive considerable advantages from the use of this product. Prince George has had some difficulties and the start-up losses have been greater than expected. However, the high quality of product which this Mill has shown itself capable of producing is even better than we had hoped so that we have justifiable confidence in the future of this enterprise.

The pulp from Prince George has come on to the market at a time of lower prices. We had anticipated some fall but world circumstances have depressed prices temporarily rather more than was expected.

Adjacent to the Prince George Mill, the Intercontinental Pulp Mill is in course of construction. This is proceeding in accord with programme for start-up in the summer of 1968.

In New Zealand, Tasman Pulp and Paper Company, in which we have a 17% investment, again had a year of record sales although profits were marginally lower. The dividend for the year to 31 October, 1966 was repeated at 10%, but since our financial year end an increased interim dividend of 5½% has been declared, which compares with 5% in the previous year.

In the UK, Kimberly-Clark, manufacturers of Kleenex tissues, in which your Company has a one-third shareholding, has had a year of intense competition but with a welcome recovery in profits.

Personnel

In a Group of this dimension neither I nor other members of the Board can claim to know everyone in the business although we would like to. We do contend, however, that continuous efforts are being made to search for and get to know and to develop the many talented people within our midst, particularly those aiming at management objectives. To this end we are endeavouring not only to train those whose management abilities have already been recognised, but also to try still harder to recognise such potential as early as possible in the careers of our young men and women.

The diminished profits of the past year have neither reduced our search for enterprising staff nor dimmed the effort which

has been widely contributed throughout the Group. Indeed, it has been a testing year in which I am proud that all have responded to the challenge so well and I wish to express my appreciation of their contribution.

Board of Directors

Sir Richard E. Yeabsley and Mr. R. W. T. Suffern, having both reached the age of retirement, are not seeking re-election to the Board this year. Each of these non-executive directors has contributed wisdom and experience to our Main Board which I sincerely appreciate and, of course, Sir Richard has given distinguished service as Chairman of Spicers. I am sure you will join me in wishing them a long and happy retirement.

During the year Mr. R. F. Inch and Mr. J. H. Smeddle have joined the Main Board of your Company: Mr. Inch, aged 53, after a number of years with Polycell and The Wall Paper Manufacturers, of which he has recently been appointed Managing Director, and Mr. Smeddle, aged 43, from a successful career in outside industry. I welcome them and commend them to you for confirmation of their appointment.

Future Prospects

The future profits of your Company depend on a number of principal elements—on the UK economy—on taxation—on the other policies and practices of the Government—on the economies and policies of a number of overseas countries, especially Canada and Australia, and—always—on the unrelenting effort of all Reed's 54,000 employees. Of all these elements only the last named can be relied upon, and we have seen during the past year just how much the other factors can affect profit.

The trends in UK papermaking in the conditions of depressed demand are more marked than had been expected, but these only serve to underline the correctness of the policy adopted some years ago of selecting grades appropriate to the conditions of the future, and of moving mass grade manufacture to overseas sources. The development of new pulp and paper mills such as Prince George and Intercontinental require a matter of years to reach their full potential, but I am well satisfied with the steps which have been taken and the progress being made. It is not likely that earnings from Prince George will appear in our Group profits for at least two years yet, and Intercontinental until two years later.

The last of the programme of major machine modifications occasioned by this massive changeover is now nearing completion at Aylesford Paper Mills, so that our profitability will not be affected adversely from this cause beyond the current year. Most of the other areas of the Group's activities are less capital intensive and consequently can be modified more rapidly to meet changing circumstances.

Because of the enormous dependence upon the factors outside our control, I must refrain from forecasting the future, but without the present degree of uncertainty which they represent I would regard last year's profits as a base from which to grow.

Group profit and
loss account
Year ended 31 March 1967

	1967 £'000	1966 £'000
Group sales, excluding inter-company sales	240,418	226,114
Trading profit and all other income	26,902	30,556
Debenture and loan interest	4,912	3,452
Depreciation	8,438	7,700
	13,350	11,152
Profit before taxation (1a)	13,552	19,404
Taxation (2a)	5,969	7,174
Profit after taxation	7,583	12,230
Outside interests in profit of subsidiaries	567	735
Profit attributable to members of the Parent Company (1b)	7,016	11,495
Dividends paid and proposed		
Gross		
Preference	219	133
Ordinary		
Interim 5 %	2,695	
Final 7½ %	4,042	
	6,737	(17%) 9,134
	6,956	9,267
Less		
Income tax deducted and retained	101	2,026
	6,855	7,241
Profit for the year retained (10)	161	4,254

The figures in brackets above refer to the notes on pages 10 to 15 which form part of these accounts

Group balance sheet 31 March 1967

	1967 £'000	1966 £'000
Fixed assets		
Properties and plant (3)		
At cost or valuation	211,394	204,115
Accumulated depreciation	83,907	77,347
	<u>127,487</u>	<u>126,768</u>
Trade investments (5)		
At cost	10,175	7,696
	<u>137,662</u>	<u>134,464</u>
Subsidiary companies		
Excess of cost of shares over net book amount of assets at date of acquisition	64,530	63,941
Current assets		
Stocks (7)	54,251	52,399
Debtors	51,830	52,823
Quoted investments (market value £1,430,000, 1966 £4,758,000)	1,173	2,709
Bank balances	5,719	9,207
	<u>112,973</u>	<u>117,138</u>
Current liabilities		
Bank advances: secured	1,081	656
unsecured	23,583	31,243
Bills payable and acceptance credits	5,406	4,190
Creditors and accrued charges	23,818	29,136
Taxation (2b)	6,672	8,228
Dividends	4,114	5,622
	<u>64,674</u>	<u>79,075</u>
	<u>48,299</u>	<u>38,063</u>
	<u>250,491</u>	<u>236,468</u>
Representing:		
Share capital and reserves attributable to members of the Parent Company		
Share capital (8)		
Preference	4,069	2,700
Ordinary	53,893	53,893
	<u>57,962</u>	<u>56,593</u>
Capital reserves (9)	72,998	71,858
Revenue reserves (10)	24,041	23,660
	<u>155,001</u>	<u>152,111</u>
Outside shareholders' interests in subsidiaries	8,114	13,709
Debenture stocks and loans (11)	81,789	65,697
Deferred taxation (2c)	5,587	4,951
	<u>250,491</u>	<u>236,468</u>
Cecil H. King } S. T. Ryder } Directors		

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Parent Company
balance sheet
31 March 1967

	1967 £'000		1966 £'000	
Fixed assets				
Properties and plant				
At cost	25,713		24,435	
Accumulated depreciation	10,289		9,395	
		15,424		15,040
Trade investments				
At cost		2,526		2,527
		17,950		17,567
Subsidiary companies				
Shares at cost	129,484		144,195	
Advances and current accounts (6)	59,871		36,459	
		189,355		180,654
Current assets				
Stocks (7)	4,734		4,684	
Debtors	2,132		1,358	
Quoted investments (market value £473,000, 1966 £2,878,000)	226		849	
Bank balances	446		1,065	
		7,538		7,956
		214,843		206,177
Current liabilities				
Bank advances: unsecured	16,273		22,636	
Bills payable and acceptance credits	5,000		3,650	
Creditors and accrued charges	4,554		4,066	
Taxation (2b)	532		450	
Dividends	4,114		5,622	
		30,473		36,424
		184,370		169,753
Representing:				
Share capital and reserves				
Share capital (8)				
Preference	4,069		2,700	
Ordinary	53,893		53,893	
		57,962		56,593
Capital reserves (9)		72,678		71,421
Revenue reserves (10)		10,524		12,972
		141,164		140,986
Debenture stocks and loans (11)				
		42,211		27,829
Deferred taxation (2c)				
		995		938
		184,370		169,753
Cecil H. King } S. T. Ryder } Directors				

The figures in brackets above refer to the notes on pages 10 to 15 which form part of these accounts

Notes on
the
accounts

	1967 £'000	1966 £'000
1 Profit and Loss Account		
a) The profit before taxation takes into account:		
Income from investments		
Trade	516	412
Quoted	64	257
Short term	235	193
Expenditure		
Interest on bank advances and other short-term indebtedness	1,852	1,632
Auditors' remuneration (Parent Company £12,000)	159	127
Pensions for services as former directors	4	4
b) Profit dealt with in the accounts of the Parent Company including for 1967 £1,216,000 arising from previous years	4,408	2,894
2 Taxation		
a) In the profit and loss account the charge for taxation, which is based on the profit for the year, comprises:		
United Kingdom taxation		
Corporation tax	3,257	5,029
Income tax	—	(768) Cr.
	3,257	4,261
Less: Double taxation relief	466	196
	2,791	4,065
Overseas taxation	3,178	3,109
Total	5,969	7,174
This total is:		
i) after deducting UK investment allowance relief of	29	739
ii) inclusive of deferred taxation due to accelerated capital allowances of	636	840
	Group	Group
b) In the balance sheet, the liability for taxation consists of amounts payable:	Parent	Parent
before 1 January 1968	4,098	2,634
on or after 1 January 1968	2,574	5,594
	6,672	8,228
c) Deferred taxation, shown in the balance sheet, represents the deferred liability due to accelerated capital allowances.		
d) The undistributed profit of overseas subsidiaries would be liable to further taxation if distributed.		

	1967 £'000		1966 £'000		
3 Properties and plant – Group	Land & buildings		Timber limits	Plant & equip-ment	Total
Cost or valuation	Cost Valuation			Cost	
At 31 March 1966	48,111	32,155	2,711	121,138	204,115
Additions	2,365	—	3	10,139	12,507
Disposals	(677)	(1,048)	(5)	(3,498)	(5,228)
At 31 March 1967	49,799	31,107	2,709	127,779	211,394
Accumulated depreciation					
At 31 March 1966	15,304	554	1,555	59,934	77,347
Charge to Profit and Loss Account	929	419	25	7,065	8,438
Amount provided on disposals	(211)	(8)	—	(1,659)	(1,878)
At 31 March 1967	16,022	965	1,580	65,340	83,907
Book value 31 March 1967	33,777	30,142	1,129	62,439	127,487

Land and buildings include leaseholds which represent 6% at cost and 16% at valuation. The remainder are freehold. The valuations have been made since 1956.

The cost of plant is after deduction of investment grants receivable. The grants for the year are £1.3 million.

Accumulated depreciation includes amounts set aside by subsidiaries before their acquisition.

No depreciation has been provided on land or on certain freehold and 999 year leasehold commercial properties (at cost or valuation £16,807,000). For all other properties and plant, depreciation has been provided on a basis that will write off the book value of these assets within their expected life.

4 Capital Commitments	Group	Group	Parent	Parent
In respect of contracts for capital expenditure	2,994	5,089	490	1,069
after deducting UK investment grants of	548	450	143	220

			1967 £'000	1966 £'000
5 Trade investments – Group	Group equity interest %	Country	Cost	Cost
Prince George Pulp & Paper Ltd.	50	Canada	4,164	4,232
Intercontinental Pulp Co. Ltd.	37½	Canada	2,480	—
Tasman Pulp & Paper Co. Ltd.	17	N. Zealand	1,495	1,495
Kimberly-Clark Ltd.	33	UK	835	835
Miscellaneous			1,201	1,134
			<u>10,175</u>	<u>7,696</u>

Prince George Pulp & Paper Ltd (PG) has issued US \$25 million and Can. \$30 million Mortgage Bonds. Intercontinental Pulp Co. Ltd (IP) has issued US \$36.5 million and Can. \$13.5 million Mortgage Bonds. The principal, premium (if any) and interest in respect of these Bonds have been guaranteed jointly and severally by the Parent Company and a wholly owned Canadian subsidiary and by Canadian Forest Products Ltd (CFP). CFP hold an equity interest in PG of 50% and in IP of 37½%.

The subsidiary and CFP have also jointly and severally undertaken to ensure that adequate finance will be available for the construction and bringing into operation of the mills of PG and IP. In the case of IP, this undertaking is limited to 75% of the finance required as Feldmuhle AG, which holds 25% of the equity of IP, has given an undertaking regarding the balance.

In relation to miscellaneous trade investments the Parent Company has given guarantees, including a bank borrowing of £1 million.

6 Subsidiary companies – Advances and current accounts

Amounts due from subsidiaries	71,763	45,763
Amounts due to subsidiaries	(11,892)	(9,304)
	<u>59,871</u>	<u>36,459</u>

Subsidiary companies borrowings of £6.2 million have been guaranteed by the Parent Company.

7 Stocks

The amounts included for stocks have been determined on bases and by methods of computation which have been applied consistently and which are considered appropriate in the circumstances of the business of each Group company.

	1967 £'000	1966 £'000
8 Share capital	Authorised	Issued
Preference shares (cumulative) of £1 each		Issued
Redeemable at the option of the Parent Company		
4½% redeemable on three months notice	1,500	1,500
5½% not redeemable before 1976	1,200	1,200
Irredeemable		
5%	318	318
7%	1,051	1,051
Ordinary shares of £1 each	4,069	4,069
Unclassified shares of £1 each	53,893	53,893
	4,863	—
	62,825	57,962
		56,593
9 Capital reserves	Group	Parent
Share premium account		
At 31 March 1966	71,218	71,212
Debenture discount	(306)	(300)
Share and loan issue expenses including stamp duty	(155)	(155)
At 31 March 1967	70,757	70,757
Other capital reserves		
At 31 March 1966	640	209
Loss on disposal of fixed assets	(123)	37
Surplus (after taxation £187,000) on sale of quoted investments	1,658	1,658
Debenture discount and issue expenses of a subsidiary	(45)	—
Change in composition of subsidiaries	94	—
Debenture redemption discount	17	17
At 31 March 1967	2,241	1,921
Total capital reserves at 31 March 1967	72,998	72,678
10 Revenue reserves	Group	Parent
Unappropriated profits		
At 31 March 1966	24,970	12,972
Profit for the year retained	161	(2,769)
Trade investment written off	(118)	—
Taxation provision in earlier years no longer required	512	321
Adjustment relating to earlier years	(89)	—
At 31 March 1967	25,436	10,524
Less: Exchange conversion account (1966 £1,310,000)	(1,395)	—
Total revenue reserves at 31 March 1967	24,041	10,524

		1967 £'000	1966 £'000			
	Sinking fund or redemption requirements	Group	Group	Parent	Parent	
11 Debenture stocks and loans						
Secured						
Stocks with cumulative sinking funds						
3½% First Mortgage Debenture Stock 1956/91	*1967 £11,000	313	326	313	326	
4½% Debenture Stock 1979/84	*1967 £27,000	1,395	1,425	1,395	1,425	
5¾% Debenture Stock 1983/88	*1969 £35,000	2,500	2,500	—	—	
6% Debenture Stock 1979/84	*1967 £79,000	4,761	4,802	4,761	4,802	
6½% Debenture Stock 1983/88	*1968 £10,000	750	750	—	—	
6¾% Debenture Stock 1987/92	*1968 £41,000	5,000	5,000	5,000	5,000	
7¼% Debenture Stock 1987/92	*1971 £99,000	10,000	10,000	10,000	10,000	
7¼% Debenture Stock 1990/95	*1972 £83,000	10,000	—	10,000	—	
Other loans						
4% Debenture Stock	None	1,029	1,029	—	—	
4½% Swiss Franc Loan 1972/77	1977 in full	4,127	4,122	4,127	4,122	
5¼% Dutch Florin Loan 1973/77	1968/77 £198,000 p.a.	1,978	1,974	1,978	1,974	
6½% Mortgage Debenture Stock 1978/83	1983 in full at 101	650	650	—	—	
Miscellaneous		1,754	1,658	—	—	
		44,257	34,236	37,574	27,649	
Unsecured						
Stocks with sinking funds						
4¾% Sinking Fund Debenture Stock 1974	1967 £206,000 1968/69 £232,000 p.a. 1970/73 £281,000 p.a. 1974 £991,000	2,785	3,052	—	—	
5% Sinking Fund Debenture Stock 1984	1967/70 £35,000 p.a. 1971/75 £71,000 p.a. 1976/80 £107,000 p.a. 1981/84 £178,000 p.a.	1,741	1,785	—	—	
6¼% Sinking Fund Debenture Stock 1978	1967 £33,000 1968/72 £83,000 p.a. 1973/78 £165,000 p.a.	1,439	1,478	—	—	
6½% Sinking Fund Debenture Stock 1985	1967/70 £165,000 p.a. 1971/75 £248,000 p.a. 1976/80 £331,000 p.a. 1981/85 £413,000 p.a.	5,622	5,814	—	—	
6½% Sinking Fund Debenture Stock 1986	1967/71 £66,000 p.a. 1972/76 £99,000 p.a. 1977/81 £132,000 p.a. 1982/85 £166,000 p.a. 1986 £331,000	2,480	—	—	—	
Other loans						
5% Loan	1967/97 £60,000 p.a.	1,816	1,963	—	—	
5½% Redeemable Unsecured Loan Stock	None	1,646	—	1,646	—	
7% Loan Stock 1985/90	1971/90 £813,000 p.a.	16,260	16,260	—	—	
7½% Redeemable Unsecured Loan Stock	None	2,870	—	2,870	—	
Miscellaneous		873	1,109	121	180	
		37,532	31,461	4,637	180	
		81,789	65,697	42,211	27,829	

*Current or initial repayment increasing annually by interest on repayments

	1967 £'000	1966 £'000
12 Emoluments of the directors of the Parent Company:		
Fees	18	18
Other emoluments	147	154
	<u>165</u>	<u>172</u>

13 Date of accounts

For administrative convenience, the profit and loss accounts of the Parent Company and all United Kingdom subsidiaries are for the 52 weeks to 2 April 1967 and the balance sheets are made up to this date.

In order to avoid delay in the preparation of the Group accounts, the financial years of overseas subsidiaries ended on 31 December 1966.

14 Basis of conversion of overseas currencies into sterling

Balance sheets – rates ruling at 31 March 1967.
Profit and loss account – appropriate average rates.

15 Acquisition of The Briton Brush Company Limited

The acquisition of the ordinary shares of The Briton Brush Co. Ltd., under the terms of an offer by the Parent Company on 13 March 1967, has resulted in the issue after 31 March 1967, of £529,739 7½% and £236,149 5½% Redeemable Unsecured Loan Stock.

Report of the auditors

To the Members of Reed Paper Group Limited

We have examined the annexed Balance Sheet of the Company and have obtained the information and explanations which we required. In our opinion, the Company has kept proper books and the Balance Sheet, which is in agreement therewith, complies with the Companies Act, 1948, and gives a true and fair view of the state of affairs of the Company.

We have also examined the annexed Group Accounts incorporating the accounts of some subsidiaries audited by other firms. In our opinion these Group Accounts comply with the Companies Act, 1948, and give a true and fair view of the state of affairs and of the profit of the Group so far as concerns members of the Company and so far as is practicable in view of the fact that the accounts of certain subsidiaries are taken to 31 December 1966.

J. H. Champness, Corderoy, Beesly & Co.
Chartered Accountants

10 St Swithin's Lane, London EC4

30 May 1967

Group statistics 1958-1967

£ millions

Year ended 31 March	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958
Group sales, excluding inter-company sales	240.4	226.1	149.2	101.5	92.8	95.0	71.4	58.0	52.7	49.8
Profit before charging depreciation and taxation	22.0	27.1	18.8	14.2	12.8	11.8	9.1	7.0	6.0	5.8
Depreciation	8.4	7.7	5.5	4.6	4.3	4.0	2.5	1.8	1.7	1.3
Taxation	6.0	7.2	6.0	4.7	3.9	3.7	2.8	1.9	1.8	2.2
Profit after taxation	7.6	12.2	7.3	4.9	4.6	4.1	3.8	3.3	2.5	2.3
Profit attributable to members of the Parent Company	7.0	11.5	6.9	4.6	4.4	3.9	3.7	3.3	2.5	2.3
Dividends	*7.0	*9.3	3.8	3.3	2.9	2.9	2.0	1.6	1.4	1.3
Retained profits	0.2	4.2	3.1	1.3	1.5	1.0	1.7	1.7	1.1	1.0
Expenditure on fixed assets	12.5	15.6	9.8	5.1	6.9	8.0	3.6	3.4	2.8	6.5
Total assets less current liabilities	250.5	236.5	148.7	129.7	113.7	101.7	83.4	47.7	46.2	39.9
Share capital	58.0	56.6	39.9	36.7	31.7	30.6	25.8	17.8	17.8	17.5
Reserves	97.0	95.5	67.2	58.0	49.2	48.5	40.1	22.5	20.9	19.8
Loan capital	81.8	65.7	34.2	30.9	28.6	18.3	13.7	7.4	7.5	2.6
*Gross following change in UK Company tax structure										
Number of shareholders (thousands)	56.6	55.5	29.9	27.5	22.6	22.5	22.0	16.8	16.3	15.9
Number of employees (thousands)	54.0	55.1	27.7	25.7	22.1	22.1	20.3	16.7	15.1	14.4

Group sales and profit

	Sales				Profit before taxation			
	1967		1966		1967		1966	
	£ millions	%	£ millions	%	£ millions	%	£ millions	%
United Kingdom companies								
Paper and packaging	139.3	48	135.2	49	8.0	41	9.2	39
Wallpaper, paint and building products	74.4	26	73.7	27	4.9	25	7.9	33
	213.7	74	208.9	76	12.9	66	17.1	72
Overseas companies								
Canada								
Pulp, paper and packaging	34.2	12	32.9	12	4.3	22	4.9	21
Wallpaper, paint and building products	7.2	2	5.4	2	.5	3	.5	2
Other								
Paper and packaging	25.3	8	20.4	8	1.2	6	.9	4
Wallpaper, paint and building products	11.8	4	6.7	2	.6	3	.2	1
	292.2	100	274.3	100	19.5	100	23.6	100
Less:								
Inter-company sales	51.8		48.2		—			
Interest paid less investment income	—		—		5.9		4.2	
	240.4		226.1		13.6		19.4	

Analysis of Group sales 1967

(excluding inter-company sales)	%
Pulp	3
Printing papers and stationery	19
Newsprint	10
Wrapping papers	10
Packaging products	24
Wallpapers	12
Paint and building products	14
Miscellaneous	8
Total	100

Breakdown of £1 sales 1967

	£	s	d
Raw materials, fuel and power	9	10	
Wages, salaries and pensions	4	10	
Depreciation			8
Other costs	3	7	
Taxation			6
Dividends			7
	1	0	0

Reed Paper Group Limited

Reed Paper and Board (UK) Ltd

Aylesford Paper Mills
Aylesford, Kent

The Darwen Paper Mills Co. Ltd
Darwen, Lancashire

Empire Paper Mills Ltd
Greenhithe, Kent

Hollins Paper Mill
Darwen, Lancashire

The Imperial Paper Mills Ltd
Gravesend, Kent
(Deferred shares are not held by the Group)

The London Paper Mills Co. Ltd
Dartford, Kent

Reed Board Mills (Colthrop) Ltd
Thatcham, Berkshire

Spicers Board Mills Ltd
Retford, Nottinghamshire

Sun Paper Mill
Feniscowles, Lancashire

Tovil & Bridge Mills
Tovil, Kent

Edward Towgood & Sons Ltd
Sawston, Cambridge

Reed Paper and Board Sales Ltd
London. Birmingham. Bristol. Leeds. Manchester

Alex. Cowan & Sons Ltd
Penicuik, Midlothian. Edinburgh. Ledbury, Herefordshire.
London

Cowan & Sons (Paper Sales) Ltd
London. Belfast. Birmingham. Bristol. Edinburgh. Glasgow.
Leeds. Leicester. Liverpool. Manchester. Newcastle upon
Tyne. Nottingham

Spicers Ltd

Merchanting Division

B. Fenton Ltd
Walsall, Staffordshire

A. W. Gough & Co. Ltd
Birmingham

Ihlee & Sankey Ltd
London. Birmingham. Glasgow. Manchester

R. H. Robinson & Co. Ltd
Stockport, Cheshire

Spicers (Merchanting) Ltd
London. Belfast. Birmingham. Bristol.
Cardiff. Glasgow. Leeds. Leicester. Manchester.
Newcastle upon Tyne. Sheffield

Stationery Division

Spicers (Stationery) Ltd
Sawston, Cambridge. Belfast.
Birmingham. Bristol. Cardiff. Glasgow. Leeds. Leicester.
London. Manchester. Newcastle upon Tyne. Sheffield

Thorburn Bain & Co. Ltd
London

The Trade Loose Leaf Co. Ltd
Birmingham

Converted Products Division

Coated Specialities Ltd
Basildon, Essex

Dispro Ltd
Harrow, Middlesex. Leeds

Percy Boyden & Co. Ltd
Croydon, Surrey

Spicer-Hallfield Ltd
Bradford. Haddenham, Buckinghamshire

Spicers Ltd—Netlon Sales
London

Other United Kingdom Companies

Alacra Ltd
London

Intek Charts Ltd
London

Recorder Charts Ltd
London

R. Sculthorp & Co. Ltd
London

Spicers (Export) Ltd
London

Overseas Branches:
Argentina. Canada. Ceylon. Hong Kong. Japan. Kenya.
Malaysia. Nigeria. Philippines. Singapore

Spicers Garages Ltd
London

All the equity is held by the Group unless otherwise stated

The Wall Paper Manufacturers Ltd

Wallpaper Division

Gosport, Hampshire
Holmes Chapel, Cheshire
F. W. Howarth
Manchester
Kinder, Walker, Carver
Salford, Lancashire
Lees Paper Staining
Oldham, Lancashire
Lightbown Aspinall
Stockport, Cheshire
Oldham Paper Staining Co. Ltd
Oldham, Lancashire
C. & J. G. Potter
Darwen, Lancashire
Relief Decorations
Darwen, Lancashire
Shand Kydd Ltd
Christchurch, Hampshire
Smith & Butler
Leeds

Sanderson Division

Arthur Sanderson & Sons Ltd
Showroom:
Berners Street, London W1
Factories:
Greenford & Uxbridge, Middlesex
B.S.T. Silks Ltd
Bradford
The Blandola Co. Ltd
Whaley Bridge, Derbyshire
Dawes & Co. (Nelson) Ltd
Nelson, Lancashire
Rigg Holdings Ltd
Bridlington, Yorkshire
Turnbull & Stockdale Ltd
Ramsbottom, Lancashire

Paint Division

T. & W. Farmiloe Ltd
Darwen, Lancashire
Smith & Walton Ltd
Haltwhistle, Northumberland
The Walpamur Co. Ltd
Darwen, Lancashire
Wellington Industrial Finishes Ltd
Woodley, Cheshire

Merchant and Retail Division

John Line & Sons Ltd
Wall Paper Stores Ltd
Walpamur Distributors Ltd

Technical Division

The Belgrave Engraving Co. Ltd
Darwen, Lancashire
Garner & Bennett (Leeds) Ltd
Leeds
Micafine Ltd
Derby
Research Station
Wilmslow, Cheshire
Sheldons Engineering Works Ltd
Wells, Somerset
Spicers (Engineering) Ltd
London
Timperley Engineering (WPM) Ltd
Timperley, Cheshire
WPM Colour & Adhesives Co. Ltd
Irlam, Lancashire

Polycell Division

Alabastine (Holdings) Ltd
London
The Briton Brush Co. Ltd
Wymondham & Attleborough, Norfolk
Chadwick Hollins Ltd
Waltham Cross, Hertfordshire
Liverpool Adhesive Paste Co. Ltd
Liverpool
Polycell Ceramics Ltd
Penketh, Lancashire
Polycell Manufacturing Co. Ltd
Welwyn Garden City, Hertfordshire
Polycell Products Ltd
Welwyn Garden City, Hertfordshire
W. H. Vowles & Sons Ltd
Stonehouse, Gloucestershire

Building Products

A. B. Plastics Ltd
Orpington, Kent
Burn Brothers (London) Ltd
Orpington, Kent
Farmiloe Sealants Ltd
Larkfield, Kent
James Ferguson & Sons Ltd
London. Ampthill, Bedfordshire
Key Terrain Ltd
Hartlepool. Larkfield, Kent
L. & P. Plastics Ltd
Larkfield, Kent

United Kingdom Subsidiary Companies

Packaging

Field, Sons & Co. Ltd
Bradford. Killingworth, Co. Durham. Thatcham, Berkshire

Questron Industries Ltd
Bradford

Reed Corrugated Cases Ltd
Birmingham. Cambridge. Coatbridge, Lanarkshire.
Edinburgh. Hartlepool. Lydbrook, Gloucestershire.
New Hythe, Kent. Thatcham, Berkshire. Tovil, Kent. Wigan.
Warrenpoint, N. Ireland

Reed Medway Sacks Ltd
Larkfield, Kent

Reed Polyfilms Ltd
Spondon, Derbyshire

Service Companies

Reed Buying Services Ltd
London

Reed Development Services Ltd
Larkfield, Kent

Reed Engineering Services (UK) Ltd
Larkfield, Kent

Reed Transport Ltd
Gravesend, Kent. Larkfield, Kent. London. Wigan.
Thatcham, Berkshire

Associated Companies

United Kingdom

Bowater Reed New Zealand Ltd, 50%
Hertfordshire Bronze Powder Works Ltd, 50%
Kimberly-Clark Ltd, 33%
J. & J. Maybank Ltd, 50%
The Publishers & General Insurance Co. Ltd, 36%
The Southern Paper Stock Co. Ltd, 50%

Australia

Southern Cross Manufacturing Co. Ltd, 35%

Canada

Intercontinental Pulp Co. Ltd, 37½%
Prince George Pulp & Paper Ltd, 50%
Textile & Paper Waste Sales Ltd, 46%

New Zealand

Ashley Wallpapers Ltd, 42%
E. H. Lund & Co. Ltd, 49%
Tasman Pulp & Paper Co. Ltd, 17%

Overseas Subsidiary Companies

Australia

E. C. Blackwood Pty Ltd, 81%
Percy Boyden (Australia) Pty Ltd, 81%
Cardbox Pty Ltd, 81%
Alex. Cowan (Australia) (Pty) Ltd, 81%
Craftsman Plates Pty Ltd, 49%
Colin Martyn Pty Ltd, 81%
Paper Associates Pty Ltd, 81%
Priest Brothers Pty Ltd, 81%
Recorder Charts (Australia) Pty Ltd, 81%
Reed & Associates Pty Ltd
Reed Consolidated Industries Ltd, 81%
Reed Group Holdings Pty Ltd
Reed Paper Products Pty Ltd, 81%
Reed Paper Products (Victoria) Pty Ltd, 81%
Smith & Walton (Australia) Pty Ltd
Spicers Paper Industries Ltd, 81%
E. E. Sturgess & Sons Pty Ltd, 81%
Henry Trompf & Co. Pty Ltd
The Walpamur Co. (Australia) Ltd
Wallpaper Decoration Pty Ltd, 81%
Arthur G. Wilson Pty Ltd, 81%
Wilson Fabrics & Wallpapers Pty Ltd, 81%

Belgium

Intek SA
Poly-Crown SA

Canada

Acme Paper Products Co. Ltd, 91%
Acme Paper Products Inc, 91%
Anglo-Canadian Pulp and Paper Mills Ltd, 91%
Anglo Paper Products Ltd, 91%
Bersimis Air Transport Ltd, 91%
The Bersimis Mining Co. 91%
The Canadian Wallpaper Manufacturers Ltd, 67%
Crown Diamond Paint Co. Ltd
The Dominion Colour Corporation Ltd, 67%
Dryden Chemicals Ltd, 91%
Dryden Paper Co. Ltd, 91%
Empire Wallpaper & Paint Ltd, 67%
Forestville Realities Ltd, 91%
General Paint Corporation of Canada Ltd, 67%
Gulf Power Co. 51%
Gulf Pulp & Paper Co.
Inter Provincial Bag Ltd, 91%
Lignosol Chemicals Ltd, 91%
Molson Bag & Paper Co. Ltd, 91%
Quebec Containers Ltd, 91%
Reed Paper Group Canada Holdings Ltd
Reed Paper Group Canada Ltd
Arthur Sanderson & Sons (Canada) Ltd
Seabrook-Harris Paper Products Co. Ltd, 91%
St Charles Transportation Co. Ltd, 91%
Sterling Paper Products (Ontario) Ltd, 91%
Superior Gummed & Waxed Paper Ltd, 91%
Woods-Dryden Paper Bags Ltd, 91%

France

Polyfilla SARL

Germany

Key Rohr GmbH
Moltofil GmbH, 51%

All the equity is held by the Group unless otherwise stated

Overseas Subsidiary Companies

Holland

NV Alabastine Holland
Polyfilla NV
Reed (Nederland) NV, 74%

Kenya

The Walpamur Co. (EA) Ltd

New Zealand

Alex. Cowan & Sons (NZ) Ltd
Polycell Decorating Products Ltd

Norway

Sande Paper Mill A/S, 51%

Rhodesia

The Phoenix Brushware Co. (Private) Ltd, 55%
Spicers (CA) (Private) Ltd

South Africa

Alex. Cowan & Sons (SA) (Pty) Ltd
Polycell Products SA (Pty) Ltd
Recorder Charts (SA) Pty Ltd
Smith & Walton (SA) (Pty) Ltd
Spicers (SA) Ltd
Tankerton Base Minerals (Pty) Ltd, 51%
The Walpamur Co. (Pty) Ltd

Southern Ireland

Spicers (Ireland) Ltd
Spicers of Trim Ltd
The Walpamur Co. (Ireland) Ltd

Switzerland

Reed (Services) AG
Reed Technical Services AG

Uganda

The Walpamur Co. (Uganda) Ltd

United States of America

Anglo-Southern Paper Corporation, 91%
The Birge Co. Inc, 67%
W. H. S. Lloyd Co. Inc
Montmorency Paper Co. Inc, 91%
J. H. Thorp & Co. Inc

All the equity is held by the Group unless otherwise stated

Cover: Cowan Ambassador Art Royal 22 lb 100
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Kraft Insert: Prince George Pulp & Paper Mill Sack Kraft s/o DC 36 lb 480
Design: Louis Klein
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